

**Office of Thrift Supervision**

Department of the Treasury

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*Richard M. Riccobono*  
*Deputy Director*

September 28, 2001

**MEMORANDUM FOR CHIEF EXECUTIVE OFFICERS****FROM:** Richard M. Riccobono**SUBJECT:** Soldiers and Sailors Civil Relief Act of 1940

As you are aware, President Bush recently authorized the call-up of 50,000 military service reservists. In addition, military recruitment centers have experienced a dramatic increase in applications for enlistment. In this regard, we wish to remind you about certain provisions of the Soldiers and Sailors Civil Relief Act of 1940 (SSCRA). The SSCRA is codified at United States Code, Title 50, Appendix Section 501 *et seq.*

This statute suspends the enforcement of certain legal rights against persons on active duty in the military service of the United States in order to enable them to devote their energies and attention to the defense needs of this nation. Benefits provided under this statute distinguish among debt obligations depending on when they were incurred and when military service commences. Relief afforded continues throughout the term of service.

For debt obligations, including mortgages, incurred by the borrower before entering active military service, financial institutions may not charge a rate of interest greater than 6% after call-up to, or enlistment in, military service, for the period of such service. (50 U.S.C. App. 526). "Interest rate" includes all charges and fees except bona fide insurance related to the obligations. Relief under this provision also extends to situations where a service member is a co-obligor.

In addition, for mortgages that predated the borrower's active duty service, institutions may not, in general, foreclose during the period of military service or for three months thereafter. (50 U.S.C. App. 532).

Moreover, for obligations incurred either pre- or post-service, the law establishes special procedures governing an institution's ability to obtain a default judgment or other judicial enforcement against persons in military service. (50 U.S.C. App. 520 *et seq.*).

There are additional provisions of the SSCRA that may be relevant to your operations or your borrower's circumstances. Therefore, we encourage you to work with your legal counsel or trade groups to ensure your institution's compliance with the technical requirements, as well as spirit, of the SSCRA.

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OTS understands that some thrifts may wish to voluntarily extend similar benefits in other situations, e.g., to accommodate existing active duty personnel deployed overseas. OTS will consider this choice appropriate provided the institution implements such a program safely and soundly. Institutions should monitor their portfolios and the performance of loans affected by either the SSCRA or any voluntary relief, analyze the impact of these programs, and adjust loan loss allowances accordingly.

If you have any questions about this letter, please feel free to contact your OTS Regional Director.